



BILLING CODE: 4810-33-P

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

Agency Information Collection Activities:

Information Collection Renewal; Submission for OMB Review;

Guidance on Sound Incentive Compensation Practices

AGENCY: Office of the Comptroller of the Currency (OCC), Treasury.

ACTION: Notice and request for comment.

SUMMARY: The OCC, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to comment on the renewal of an information collection as required by the Paperwork Reduction Act of 1995 (PRA).

An agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number.

The OCC is soliciting comment concerning renewal of an information collection titled, “Guidance on Sound Incentive Compensation Practices.” The OCC also is giving notice that it has sent the collection to OMB for review.

DATES: Written comments should be submitted by [INSERT DATE 30 DAYS FROM DATE OF PUBLICATION IN FEDERAL REGISTER.]

ADDRESSES: Because paper mail in the Washington, DC area and at the OCC is subject to delay, commenters are encouraged to submit comments by e-mail, if possible.

Comments may be sent to: Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, Attention: 1557-0245, 400 7th Street, SW., suite 3E-218, mail stop 9W-11, Washington, DC 20219. In addition, comments may be sent by fax to (571) 465-4326 or by electronic mail to *prainfo@occ.treas.gov*. You may personally inspect and photocopy comments at the OCC, 400 7th Street, SW., Washington, DC 20219. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 649-6700 or, for persons who are deaf or hard of hearing, TTY, (202) 649-5597. Upon arrival, visitors will be required to present valid government-issued photo identification and submit to security screening in order to inspect and photocopy comments.

All comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not include any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

Additionally, please send a copy of your comments by mail to: OCC Desk Officer, 1557-0245, U.S. Office of Management and Budget, 725 17th Street, NW., #10235, Washington, DC 20503 or by email to: *oira_submission@omb.eop.gov*.

FOR FURTHER INFORMATION CONTACT: Shaquita Merritt, OCC Clearance Officer, (202) 649-5490 or, for persons who are deaf or hard of hearing, TTY, (202) 649-5597, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 400 7th Street, SW., Washington, DC 20219.

SUPPLEMENTARY INFORMATION: The OCC requests that OMB extend its approval of the following information collection:

Title: Guidance on Sound Incentive Compensation Policies.

OMB Number: 1557-0245.

Abstract: Under the guidance, each national bank and Federal savings association is required to: (i) for a large national bank or Federal savings association, have policies and procedures that identify and describe the role(s) of the personnel and units authorized to be involved in developing and administering incentive compensation arrangements, identify the source of significant risk-related factors, establish appropriate controls governing these factors to help ensure their reliability, and identify the individual(s) and unit(s) whose approval is necessary for the establishment or modification of incentive compensation arrangements; (ii) create and maintain sufficient documentation to permit an audit of the organization's processes for developing and administering incentive compensation arrangements; (iii) have any material exceptions or adjustments to the incentive compensation arrangements established for senior executives approved and documented by its board of directors; and (iv) for a large national bank or Federal savings association, have its board of directors receive and review, on an annual or more frequent basis, an assessment by management of the effectiveness of the design and operation of the organization's incentive compensation system in providing risk-taking incentives that are consistent with the organization's safety and soundness.

Type of Review: Regular.

Affected Public: Businesses or other for-profit.

Estimated Number of Respondents: 41 large banks; 1,381 small banks.

Estimated Burden per Respondent: 520 hours (480 for setup; 40 for yearly

maintenance) for large banks; 120 hours (80 for setup; 40 for yearly maintenance) for small banks.

Frequency of Response: Annually.

Total Annual Burden: 187,040 hours.

On July 27, 2016, the OCC issued a 60-day notice soliciting comment on the information collection, 81 FR 49356. One comment was received from an individual.

The commenter stated that the burden estimates are low, unrealistic, and unsupported by empirical evidence. The commenter requested that the next notice explain how the burden estimates were calculated and the empirical evidence used in the calculation.

The commenter believes that the requirements in the guidance requiring institutions to have policies, procedures, appropriate controls, and sufficient documentation to permit an audit of the incentive compensation arrangements and for the board of directors to review, at least annually, an assessment of the effectiveness of the design and operation of the bank's incentive compensation system to ensure safety and soundness would likely be met by having the internal audit department examine incentive compensation systems and provide reports to the board audit committee. The commenter estimates that, in institutions with \$20 billion or more in total assets, a minimum of four internal auditors customarily spend three or four weeks auditing the effectiveness of the design and operation of incentive compensation systems, resulting in an annual assessment of the effectiveness of the design and operation of the bank's incentive compensation system at large banks taking a minimum of 640 hours to complete. The

commenter also stated that this estimate would not include additional hours needed every year to: (i) update policies; (ii) revise procedures; (iii) adjust controls; and (iv) document annual incentive payments and document approvals. The commenter believes that, in large, systemically important institutions, internal auditors can spend one to two thousand hours auditing the many incentive compensation plans for compliance with OCC requirements.

The commenter also believes that the estimate for “small banks” is also grossly underestimated and that, in a small bank (\$50 million in total assets), it would take one person at least one week to assess the effectiveness of the design and operation of the compensation systems and format the results to be submitted to the board of directors. This would be in addition to the 40 hours needed to update written policies and procedures, document annual incentive payments, and document approvals.

The OCC uses the legal standard for estimating burden hours under the PRA (44 U.S.C. 3502(2)). The term “burden” means time, effort, or financial resources expended by persons to generate, maintain, or provide information to or for a Federal agency, including the resources expended for: (a) Reviewing instructions; (b) acquiring, installing, and utilizing technology and systems; (c) adjusting the existing ways to comply with any previously applicable instructions and requirements; (d) searching data sources; (e) completing and reviewing the collection of information; and (f) transmitting, or otherwise disclosing the information. The OCC believes that its burden estimates are accurate, given that institutions already have the required arrangements in place, including any required systems and procedures.

The banking agencies¹ estimated in their original notice² that large institutions would spend 480 hours to modify their policies and procedures to monitor incentive compensation. Small institutions would spend 80 hours to establish or modify policies and procedures to monitor incentive compensation. Forty hours would be required to maintain an incentive compensation program.

In the experience of the banking agencies, two months is typically required for a large institution to set up a program of this complexity and one business week is required for yearly maintenance. The banking agencies generated these estimates based on their experience with other information collections.

Comments continue to be invited on:

(a) Whether the collection of information is necessary for the proper performance of the functions of the OCC, including whether the information has practical utility;

(b) The accuracy of the OCC's estimate of the information collection burden;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the collection on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

¹ OCC, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation.

² 75 FR 36395 (June 25, 2010).

Dated: November 28, 2016

Karen Solomon

Deputy Chief Counsel

Office of the Comptroller of the Currency

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